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ABSTRACT

The report of the 25-member National Advisory Council on Rural Development, appointed by the Secretary of Agriculture, defines rural needs and sets forth strategies for rural development in the 1980's. A review of the decade between 1970 and 1980 discusses rapid economic growth of rural areas, social progress, and changes in public service, and provides tables showing changes in population concentrations (1970-1980), Americans' residential preferences (1948-1978), and structure of nonmetropolitan employment (1973-1981). Rural needs identified by a public participation process are grouped under improvements in facilities and services including education, local government, housing, and employment and income. The Reagan Administration's governing philosophy, the New Federalism, is outlined. The Administration's strategy is described, including the Federal-State Block Grant Program to improve facilities and services; efforts to reduce reporting and regulatory requirements for rural development programs; the proposed Technical Rural Assistance Information Network, Rural Resources Guide, and rural data collection improvements; rural housing block grants; proposed rural enterprise zones, reform and expansion of trade to develop foreign markets for rural products; and efforts to increase availability of credit for rural development. An analysis of the fiscal year 1983 rural development budget is provided. (MH)

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United States Department of Agriculture

Office of Rural Development Policy

Better Country:

A Strategy for Rural Development in the 1980's

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United States Department of Agriculture

Office of
Rural Development
Policy

Better Country:

A Strategy for Rural Development in the 1980's

John R. Block
Secretary of Agriculture

Frank W. Naylor, Jr.
Under Secretary for Small
Community and Rural Development

Willard (Bill) Phillips, Jr.
Director
Office of Rural Development Policy

February 4, 1983

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

In accordance with the Rural Development Policy Act of 1980, I am submitting to the Congress the Administration's rural development strategy.

The 1980 Act mandates the preparation of a strategy to:

1. Improve the effectiveness, responsiveness, and delivery of Federal programs in rural areas.

2. Increase coordination of Federal programs with the development objectives and resources of local, substate, State, and multistate governmental authorities.

3. Achieve the most effective combination of Federal, State, and local resources to meet the needs of rural areas.

In devising the strategy, the special needs of rural America—its people, its economic potential, its social and physical requirements, its governmental systems, its family farms, and its environmental and natural resources—were taken into account, also mandated by the Congress.

The fundamental premise of this strategy is that local and State governments have the right—and should have the authority—to decide how public resources should be spent in rural America. The Federal role becomes one of support rather than direction, and the agenda for action is set principally by rural citizens themselves.

We believe that by restoring authority to the people who must deal directly with these problems, providing them with improved means of Federal assistance, and helping them stimulate the rural economy and the increased public resources such economic growth can generate, the various "categorical" problems of rural America—health, housing, education, and the like—can be more effectively and efficiently solved.

This strategy is submitted in the confidence that, to a remarkable degree, it comes directly from the people it is intended to serve. As a section of this report will describe more fully, a serious and successful effort has been made to employ the practical experience and technical expertise of thousands of rural Americans in the formulation of this policy.

A 25-member National Advisory Council on Rural Development, which I appointed to help shape and coordinate this strategy process, deserves principal credit for the policy recommendations which follow. My thanks to them cannot be overstated.

We believe this strategy reflects the resourceful, concerned, and confident spirit of rural America; and in that spirit we are pleased to submit "Better Country: A Strategy for Rural Development in the 1980's".

Faithfully yours,

John R Block

John R. Block
Secretary

November 1, 1982

Honorable John R. Block
Secretary of Agriculture
Washington, D.C. 20250

Dear Mr. Secretary:

Twenty-five individuals from all parts of rural America and all walks of life were asked to serve on the National Advisory Council on Rural Development.

These individuals accepted the challenge placed before them—"To provide grass roots input for use in the formulation of a rural development policy."

The Council presented its views to the U.S. Department of Agriculture for use in preparation of this rural development strategy.

The strategy expresses, in the broadest of terms, the actions considered necessary, as a minimum, to keep rural America viable, to maintain the quality of life in rural America, and to insure that the productivity of rural America will continue at the level necessary to support the Nation and its people.

Monetary resources for implementation of the strategy exist. These resources must be placed where demonstrated need exists. Demonstrated need, in part, depends on the development of a rural data base comparable to that developed for and used by urban America.

Delivery mechanisms or agencies for implementation of the strategy exist—they are available at the grass roots level, they have withstood the tests of time, they have developed credibility, and they have the confidence and trust of local people and officials.

The diversity of rural areas and problems endemic to each cannot be solved by the imposition of an overall "rural solution template." Any solution must include the flexibility to be applied regionally, as needs are identified and verified.

Consequently, although many problems of rural America were identified and potential solutions thereto discussed by the Council, in fairness to the rural people on whom such solutions would impact, the Council opted to "make haste slowly." After all, the problems were several decades in developing and the "quick fix" has not been and is not the answer.

The Council has expressed its desire and willingness, as the Council or as individuals thereof, to participate in the details of implementation once the strategy is approved.

The Council expresses its gratitude for the opportunity, as offered by this Administration, to have been part of a new way of determining policy—"from the bottom up." We are also grateful for the opportunity to have participated in this effort to dispel any lack of understanding which may have existed concerning the plight of rural America and what must be done to assure its continued existence.

OW Nelson

Oliver W. Nelson
Cochairman
National Advisory Council on Rural Development

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April 1983

What "Rural" Means

For the purpose of this document, the word "rural" is used in a general sense to describe geographical areas of relatively low population density—the countryside, the village, the small American town.

In the document's statistical references the word "rural" corresponds with the term "nonmetropolitan" as defined by the U.S. Bureau of the Census for purposes of data gathering and establishing program eligibility criteria.

In this report, rural America is not treated simply as what is left over after cities and their suburbs are counted. Even within those regions of high population density, there are communities of distinctively rural character.

It is this character, which resists precise definition in the abstract but is universally familiar in practical experience, that makes rural America a special place with a special role to play in the progress of the Nation.

Executive Summary

After a century of decline, many areas of rural America have experienced remarkable revitalization in the last decade. The population of rural and small town America grew more than 50 percent faster than that of urban America in the 1970's, and more than 80 million people (including more than 20 million within statistical areas officially designated "metropolitan") now call rural America home. Rural employment growth outpaced urban job progress by one-third in the last decade. The rural economy continued to diversify far beyond its traditional base in agriculture, with major expansions in manufacturing, services, and trades. Significant advances in health, housing, education, and other living standards also came to much of rural America over the past 10 years. At the same time, rural local governments and communities benefited from greater intergovernmental assistance, active voluntary involvement in community improvement, many technical and professional innovations, the rise of multijurisdictional authorities, and more effective rural organizations.

But the decade's progress does not tell the whole story of rural America. All is not well and, in accordance with the Rural Development Policy Act of 1980, a strategy has been devised to deal more effectively with rural America's problems and potentials.

To define rural needs and to fashion the most practical responses to them, this Administration has consulted those who are best qualified to comment on such topics: rural Americans. In a very extensive consultation process, the Department of Agriculture solicited the views and recommendations of hundreds of individuals and organizations representing millions of rural citizens. The Secretary of Agriculture appointed a 25-member National Advisory Council on Rural Development to help shape a new rural strategy.

Rural Americans have made it clear that, despite the encouraging statistics, progress has not visited every rural region and growth has generated new problems. Many rural areas continue to suffer poverty, isolation, and decay of facilities. On the average, rural America still lags behind urban America in measurable indicators of income, education, and housing conditions, though some argue that lower costs of living may offset part of the rural disadvantage.

Where growth has been rapid, there are often new problems of overburdened facilities and services, and the danger of losing a distinctive and highly valued rural way of life has also arisen.

The historical economic distinctions between rural and urban America, to some extent, already have been blurred by rural economic diversification and population growth. Except for agriculture and "extractive" industries such as mining, in which rural America predominates, rural and urban economies are strikingly similar.

A policy confined to purely "rural" measures, then, would fail to address the true nature of many of rural America's modern needs. For that reason not all the initiatives outlined in this strategy are focused on rural America exclusively. Many have a wider national application and are intended to benefit urban and rural areas alike. Too often in the past, however, the characteristics which help define "rural" America—sparsely and distantly settled population centers, small-scale institutions, limited revenue bases, and widely dispersed channels of communication—have hampered the application of largely urban-oriented national policies in the rural setting.

In addition to proposing specific responses to specific rural concerns, this strategy is designed to see that rural Americans are fully considered in the many programs in which they have a very significant interest.

The most often cited concerns of rural Americans—those with which the strategy deals in detail—are these:

- Improved rural facilities and services.
- More effective application of national policies in programs serving rural America.
- Better housing.
- More private sector jobs and higher income.

The governing philosophy for addressing these concerns is one both strongly suggested by rural Americans and consistently espoused by this Administration. It is a philosophy which attaches a high value to local leadership—as embodied in the New Federalism initiative—and joint public and private efforts to deal with community problems. The four basic principles of this governing philosophy are: to restore political authority and flexibility at the levels of government most accountable to the people; to streamline the Federal establishment to make it more responsive to local and state priorities, rather than the other way around; to exploit the ability of private enterprise as well as government programs to benefit the public; and to build more effective partnerships between

public and private efforts toward both rural and national progress.

Substantial progress in the rural condition has already been made through the efforts of rural Americans themselves and through the achievements of this Administration during the past 2 years. These achievements, which form a foundation for greater rural progress, include substantially lowered inflation and interest rates, major tax relief and Federal spending restraint, regulatory reform, new job training programs, a strong emphasis on international trade, and the consolidation of certain categorical aid programs into block grants offering greater flexibility to local governments.

Building on this foundation, the Administration proposes the following additional steps.

Improvements in Facilities and Services

New Federalism in Rural America

As part of the Administration's New Federalism initiative, certain community development programs will be incorporated into a Federal-State Block Grant program. Rural areas will be guaranteed the funds from programs now specified by law to serve small cities and rural communities.

Assistance to Rural Governments

Rural Regulatory Relief

While the transition is made from categorical aid to block grants for rural development, the President's Task Force on Regulatory Relief will address specific ways in which reporting and regulatory requirements of rural development assistance programs may be significantly reduced through administrative means.

Technical Rural Assistance Information Network (TRAIN)

Under the joint sponsorship of local, State, regional, and national authorities—including educational, commerical, philanthropic, and advocacy organizations as well as governments—the creation of State-level Technical Rural Assistance Information Networks will be supported. State TRAINS would link technical assistance services with local rural development leaders.

Rural Resources Guide

To help facilitate equitable rural access to public and private development assistance, a *Rural Resources Guide* will be published by the U.S. Department of Agriculture and furnished to rural leaders. The guide will catalog the nature and scope of both private and public rural assistance activities, and identify effective means of access to them.

Rural Data Collection

To help insure that statistical gaps do not impede rural America's access to Federal resources, the U.S. Bureau of the Census, Bureau of Labor Statistics, and Bureau of Economic Analysis will improve the quality and specificity of information collected and reported on rural areas. This data collection should include information on rural housing, health, education, transportation, demographics, physical facilities, employment profiles, and other categories.

Rural Housing

Rural Housing Block Grant

To increase the availability of adequate housing in rural America, a rural housing block grant program will be established by the Federal government and administered by the States. State governments will thus lead in creating safe and sanitary housing for low income rural people.

Private Sector Job Creation

Rural Enterprise Zones

The Administration has already proposed legislation to create 75 enterprise zones over a three year period throughout the country to encourage job producers to locate in economically disadvantaged areas. The Administration further proposes the following:

- One third of the total number of these enterprise zones be designated in rural areas; and
- Local and State officials initiate the application for Federal zone designation.

Trade Expansion and Reform

Having restored more normal agricultural trade relations with the Soviet Union, having challenged the unfair trade practices of the European Community and Japan, having signed the Export Trading Company Act into law, and having implemented the blended credit programs for agricultural exports, the Administration has made significant progress in increasing rural America's trading opportunities. The Administration further pledges to:

- Encourage the formation of export trading companies to increase the export of agricultural and other rural products, and
- More systematically disseminate Government-sponsored foreign market research and other trade assistance to public and private rural trade interests.

Rural Credit

To help insure that rural areas have the full range of financial and financially related services necessary to meet community development needs, the Administration will:

- Implement provisions of the Garn–St Germain Depository Institutions Act of 1982 to encourage financial institutions to provide a full range of such services in rural areas;
- Examine the current delivery systems of Federal housing guarantee programs in rural areas to determine the feasibility of using U.S. Department of Agriculture, Farmers Home Administration field offices, to improve both access and delivery; and
- Instruct Farmers Home Administration's field offices to provide support and technical assistance to rural communities seeking to undertake community facility projects.

Population Revival

For a hundred years, beginning just after the Civil War, the population or rural America declined decade by decade while great American cities rose with the industrial revolution. In the 1950's alone, six million people moved from the country into the cities and their burgeoning suburbs.

But beginning in the 1960's, and with dramatic acceleration in the 1970's, this pattern of rural decline reversed itself. While some rural regions continued to lose population, the 1970's saw the population of rural and small town America as a whole grow more than 50 percent faster than that of urban America (see table 1).

People in virtually every ethnic, racial, age, and economic category moved to rural America in the 1970's. The urban commuting patterns began to reach beyond the suburbs to the countryside during the past decade, but the population growth in rural America is not simply a product of urban sprawl. Instead it is an expression of preferences for a more rural lifestyle.

At least since the 1940's, when national public opinion surveys were first taken, a majority of Americans has expressed a preference for rural life even while more and more moved into cities (see table 2). By the 1970's, beset by crowded conditions and other urban ills, and drawn by expanding rural job opportunities and other attractions of the countryside, millions of city dwellers were ready to move, and did.

In the 1960's rural growth was centered in relatively large and well-established communities. Growth in the 1970's was equally rapid in the most sparsely populated rural areas.

Today nonmetropolitan America claims a population of more than 57 million people, one in every four Americans. In addition to these rural people, one in seven people living in areas designated as metropolitan actually lives in a "rural setting" by census standards. Broadly defined, America's rural population exceeds 80 million. Projections suggest those growth trends will continue.

Economic Growth

Rural employment growth in the 1970's outpaced urban job progress by one-third. While total employment in the United States rose at an annual rate of 2.1 percent in the 1970's, the growth rate in rural America was 2.3 percent, compared with a 1.9 percent rate in metropolitan areas. The most rural counties were among the areas of most rapid growth. Those with no town of more than 2,500 people averaged 3.3 percent employment growth.

The efficient American farmer continued to produce greater harvests with fewer people—twice as much output as in the 1940's with one-third the workers. Now the farm work force seems to have stabilized at fewer than 6 million. Other rural enterprises, however, registered significant gains in employment and output during the 1970's, diversifying the rural economy to the point that agriculture can no longer be said to dominate it.

By 1981, agriculture, forestry, and fisheries accounted for only 3 percent of rural wage and salary employment, compared with 21.8 percent in manufacturing, 16.6 percent in government; 16.5 percent in wholesale and retail trade; 17.0 percent in services; nearly 5 percent in the combination of transportation, communication, and public utilities; 4.4 percent in construction; and 2 percent in mining (see table 3).

Between 1973 and 1981, actual wage and salary employment in agriculture, forestry, and fisheries grew by 54,000; rural manufacturing jobs increased by 260,000; mining by 227,000; the transportation-communications-public utilities category by 284,000; services by 1,429,000; government by 952,000; and self-employed nonagricultural workers by 579,000.

With this diversification, the rural economy has come to closely resemble the national economy and is thus more directly affected by national economic cycles. The important remaining differences are the highly productive agricultural, forestry, and extractive industries indigenous to rural America.

Also, self-employment—a strong rural tradition—is nearly twice as prevalent in rural as in urban America, and this entrepreneurship extends from the farm to every other field of rural economic activity.

The diversification of the rural economy by entrepreneurs was aided in the 1970's by a significant expansion and relocation of traditionally urban-based industries in rural regions. These industries found that rural America possesses many attractive features: a tax system that encourages industrial growth, abundant land at moderate prices, access to national transportation systems, and hundreds of thousands of rural people who value a job well done.

Social Progress

The 1970's brought significant social advances to much of rural America, as well. While progress was far from uniform, rising payrolls and population led to broad improvements in many standards of rural living.

The percentage of rural people living in poverty fell from 17.9 in 1969 to 13.7 in 1979. In the long term, over the past 20 years, the number of people below the official poverty line has declined even more dramatically, from about 33 percent of the rural population in 1959 to 13.7% in 1979.

The 1970's saw the measure of rural "sick days" (days absent from work or school) fall below that of urban areas for the first time. During this period there was also a 13-percent increase in the number of rural physicians per 100,000 people.

The number of occupied housing units lacking full plumbing—the key indicator of substandard housing—fell during the 1970's from 13 percent to 5.4 percent.

The percentage of high school graduates among the rural population grew from 45.9 in 1970 to 62.8 in 1980, more than the urban fraction in 1970.

Public Service

There have been considerable advances in the government of rural America over the last decade.

The local revenue base, while still much narrower than the typical metropolitan base, has been supplemented with other sources of public and private funds.

For all the recent changes in the rural character, voluntary community service by churches, clubs, youth groups, business and labor, and private citizens remains an honored and active tradition in rural America. One example of this fine rural tradition is the Building Our American Communities (BOAC) program of the Future Farmers of America.

Table 1—Population change by metropolitan status and size of largest city

Characteristic	Population				
	Number (thousands)			Percentage change	
	1980	1970	1960	1970-80	1960-70
Total	**226,505**	**203,301**	**179,323**	**11.4**	**13.4**
Metropolitan[1]	163,503	148,877	127,191	9.8	17.0
Nonmetropolitan	63,002	54,424	52,132	15.8	4.4
Nonmetropolitan					
Adjacent counties[2]	32,901	28,031	26,113	17.4	7.3
Nonadjacent counties	30,101	26,394	26,019	14.0	1.4
Nonadjacent counties					
With city of 10,000 or more[3]	13,642	11,910	11,132	14.5	7.0
With no city of 10,000	16,458	14,484	14,887	13.6	-2.7

[1]Metropolitan status as of 1970.

[2]Nonmetropolitan counties adjacent to Standard Metropolitan Statistical Areas.

[3]Counties with a city of 10,000 or more population in 1970.

Source: U.S. Census of Population 1970 and 1980, U.S. Bureau of the Census.

Prepared by
Population Studies Program Area
Economic Development Division
Economic Research Service, USDA

Table 2—A comparison of surveys of residential preferences in the United States from 1948 to 1978 (in percent)

Preferred residence	Roper 1948	Gallup 1966	Gallup 1968	Gallup 1970	Gallup 1972	Gallup 1976	Population Commission 1971	Research Analysis Corp. 1976	HUD[1] 1978
Cities	15	22	18	18	13	13	17[4]	8	24
Suburbs	20	28	25	26	31	29	18[4]	25	26
Small towns	41[2]	31	29	31	31	21	30[4]	30[5]	23
Rural areas	24	18[3]	27[3]	24[3]	23[3]	37	34[4]	36[5]	25
No opinion, other	0	1	1	1	1	0	1	1	2
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: Zuiches, James J., "Residential Preferences in the United States," *Nonmetropolitan America in Transition*, edited by Hawley and Mazie, The University of North Carolina Press, 1981, p.82.

[1]Large and medium size city combined; medium size city and small city, town, or village in suburbs combined; small city, town, or village not in suburbs, and rural area.

[2]Includes respondents preferring small cities and small towns. The Roper question was: "If you had a choice, where would you like best to live—in the country, a small town, a small city, a suburb, a large city?"

[3]Farm used instead of rural area in the Gallup question, which was: "If you could live anywhere in the U.S. that you wanted to, would you prefer a city, suburban area, small town or farm?"

[4]Large and medium cities combined; suburbs of large and medium cities combined; small cities and small towns combined; and farm and open country combined in this table. The Population Commission question was: "Where would you prefer to live? On a farm, open country (not on a farm), in a small town, in a small city, in a medium size city, in a large city, in a suburb of a medium size city, in a suburb of a large city?"

[5]"Assuming you could live anywhere you wanted, where would you prefer to live most—in a big city, in a suburb of a big city, in small city or in a rural or farm area?"

Table 3—Structure of nonmetro employment, 1973 and 1981

Employment	1973		1981	
	Total (thousands)	Percent of total	Total (thousands)	Percent of total
Total employed:	**26,091**	**100.0**	**30,488**	**100.0**
Wage and salary workers, total	22,038	64.4	26,213	86.0
Agriculture, forestry, and fisheries	856	3.3	910	3.0
Mining	370	1.4	597	2.0
Construction	1,384	5.3	1,373	4.4
Manufacturing	6,381	24.5	6,641	21.8
Durable	3,396	13.0	3,566	11.7
Nondurable	2,984	11.4	3,075	10.1
Transportation, communications, and public utilities	1,147	4.4	1,431	4.7
Wholesale and retail trade	4,035	15.5	5,016	16.5
Finance, insurance, and real estate	790	3.0	1,067	3.5
Private household workers	578	2.2	438	1.4
Other services	2,399	9.2	3,691	12.1
Government workers	4,098	15.7	5,050	16.6
Self-employed workers, total	3,463	13.3	3,896	12.8
Agriculture	1,426	5.5	1,281	4.2
Nonagriculture	2,036	7.8	2,615	8.6
Unpaid family workers, total	590	2.3	379	1.2
Agriculture	356	1.4	211	1.2
Nonagriculture	234	.9	167	.5

Prepared by
Population Studies Program Area
Economic Development Division
ERS USDA

Such innovations as computerized financial controls and professionally staffed legislatures were introduced in much of rural America in the 1970's, though the very personal character of public service remains firmly ingrained, especially at the local level.

An important overlay of regional and multicountry planning and development authorities has also been added to the rural political landscape in the last decade, offering a level of coordination, technical expertise, and economies of scale unprecedented in the rural experience.

In addition, the 1970's brought a dramatic restructuring and strengthening of national rural advocacy and service groups, which have played important individual and collective roles in the progress of rural America.

Among these are groups representing State and local governments, such as the National Association of Counties, the National Association of Towns and Townships, the National Association of Regional Councils, the National Governors' Association, and the National Association of Development Organizations.

The National Rural Electric Cooperatives Association, the National Association of Conservation Districts, the Congressional Rural Caucus, and others also take a vigorous interest in rural development issues.

In addition, many farm, business, labor, religious, and civic organizations, such as Ruritan National, are actively concerned with rural progress.

Hearing From Rural Americans: What Are The Problems?

A Rural Strategy

The Rural Development Policy Act of 1980 requires the preparation of a strategy to promote economic and social progress more effectively in rural America.

The legislation calls for improvements in Federal responses to rural needs, better coordination among the various levels of government, and a stronger working partnership with private enterprise.

Raising levels of employment, health, housing, education, transportation, environmental protection, and community services are essential goals of national policy.

But while such goals may be identical for both rural and urban America, the means of achieving them are not.

America is predominantly an urban Nation. Federal programs concentrate on urban areas, where about 75 percent of the American people live. Experience has shown that these "national" programs are often ill-suited to the needs of millions of rural Americans and the communities in which they live. They fail to accommodate the smaller scale, sparser population, and more distant settlement patterns of rural America, focusing instead on the requirements and capacities of large institutions and large populations in relatively compact quarters.

Rural Americans have not participated fully in some programs because larger communities receive program funds automatically, through predetermined entitlement formulas, while small towns and unincorporated settlements must compete for limited "discretionary" funds from State and Federal sources. The Community Development Block Grant program is one such example.

And even when funds find their way into rural areas, they are so tightly regulated and urban oriented that a "get the money and find the need" attitude may arise in rural governments, an attitude which sacrifices local political authority for Federal financial control and encourages the inefficient use of the Nation's resources.

Solving these problems does not require making rural America more like urban America. Progress for many, if not most, rural Americans does not mean becoming more urban. It means solving rural problems with rural solutions. That is the intent of this strategy for rural development.

The successful implementation of this rural strategy can have important national consequences, as well. Federal, State and private sector funds can be better controlled and more effectively invested. National economic growth can be stimulated through new rural enterprise. A policy tailored to, if not designed exclusively for, the needs of rural America, attuned to rural customs and drawing on rural strengths, will be most effective in promoting rural progress and solving special rural problems.

The Role of Rural People

This strategy was designed to authentically represent the views of the people it is intended to serve. Many rural people have participated directly or indirectly in this strategy process through the systematic solicitation of comments by the Department of Agriculture.

By its very nature, this process has yielded more empirical and personal evidence of rural conditions than scientific, statistically "provable data." Some of these observations may conflict with findings elsewhere in this document, but the practical value of these rural citizens' perspectives—an understanding of the way rural people themselves perceive their problems and potentials—more than compensates for the informal quality of this information.

The first step in the consultation process was the Secretary of Agriculture's appointment of a National Advisory Council on Rural Development, a 25-member panel of rural leaders from throughout the country. The Advisory Council held four formal meetings, and members held dozens of informal discussions with their neighbors and with a variety of groups leading to a series of recommendations largely incorporated in the strategy.

Hundreds of other people, including rural officeholders and private citizens alike, took a direct part in the consultation process.

The Secretary also enlisted the assistance of his fellow Cabinet officers and other Federal agency heads. These officials provided examples of innovative, successful, and potentially replicable local approaches to meeting rural development needs. A Rural Development Working Group of the Cabinet Council on Food and Agriculture was established to review the strategy.

Recognizing that States play a pivotal role in rural development, Secretary Block asked each of the Nation's Governors to make policy recommendations. In addition, letters were sent to heads of each State department of agriculture and to other State agencies responsible for planning, economic development, and related services.

Participation of State legislators was sought through the cooperation of the National Conference of State Legislatures. Also at the State level, each USDA State Food and Agriculture Council was asked for ideas, recommendations, and successful models. In their deliberations, the rural development committees of these councils often included representatives of State and Federal agencies and private organizations. Each of these rural development committees in turn was asked to join with the Extension Service in its State to convene two local or countywide meetings on the rural development strategy. More than 60 such meetings were held nationwide.

To reach substate districts and local units of government, the Secretary called on the communication networks of such organizations as:

- The National Association of Counties
- The National Association of Regional Councils
- The National Association of Development Organizations
- The National Association of Towns and Townships
- The National League of Cities
- The U.S. Conference of Mayors
- The National Conference of Black Mayors

Working through the offices of the USDA coordinator for Indian activities and the USDA coordinator for the 1890 and historically Black colleges, the USDA's Office of Rural Development Policy was able to contact national Indian groups as well as key figures at the Nation's 1890 college system to gather their contributions to the strategy.

The Office of Rural Development Policy asked for views, recommendations, and successful models from a broad range of interest groups across the country. Contact was made with religious groups, service clubs, and unions. Many of the groups used newsletters or special mailings to reach memberships numbering in the thousands.

The Director of the Office of Rural Development Policy also participated in an extensive series of roundtable discussions on rural development, as part of major conventions of the American Planning Association, the National Association of Counties, and the combined meeting of the National Association of Area Agencies on Aging and the National Association of State Units on Aging.

The National Advisory Council on Rural Development also took a very active role in seeking public participation. One member, for example, organized a public meeting in his State, sponsored by a substate planning district staff. Another member obtained a large volume of written recommendations from conservation experts in his State.

The Department of Agriculture believes this public participation process is an effective foundation on which to base the continuing assessment of rural strategy, as required by the 1980 Rural Development Policy Act.

The response to this widespread solicitation of public views has been very encouraging. The most often cited—and most urgent—challenges to rural people are improved facilities and services, better assistance to rural governments, better housing, and more jobs in the private sector. These are dealt with in detail in the strategy which follows.

Other issues, such as increased incentives for health practitioners to locate in rural areas; tax credits for voluntary community service; Federal control of rural lands; payments in lieu of taxes; toxic wastes and pollution; energy costs; farm land preservation; soil erosion; water quality and availability; minimum wages for seasonal workers; rural historic preservation; rental housing vouchers as a substitute for mortgage interest subsidies; strengthened farmer cooperatives for assistance in marketing, finance, and management; rural ambulance service and public transportation; concentration on renewable resources; implementation of the USDA "Prime Lands" policy; crime; and "human capital" enhancement through education and job training constitute a challenging agenda for the future.

The Challenge Today

In developing this strategy, a variety of voices and conflicting views—each with a legitimate concern, most with a plausible solution—made it difficult to reconcile realistic alternatives and make hard policy decisions. This is the blessing and the burden of direct and extensive citizen participation in the strategy process.

But several consistent themes ran through these diverse citizen comments, and it is on these that the strategy rests. These include the conditions of community facilities, rural housing, employment and income, and local government needs and services.

Improvements in Rural Facilities and Services. Critical to the prosperity of rural areas are reliable roads, bridges, water and sewer facilities, and other fixtures that are the lifelines of rural communities and regions. But the physical underpinnings of older regions of rural America are wearing out faster than they are being replaced. And in areas of new growth, particularly in the South and West, public facilities cannot keep pace with growing public demands on them. Fully half of the Nation's community waste treatment systems are operating at maximum capacity and cannot support further economic expansion.

Ports and inland waterways—crucial to agricultural trade, coal and timber transportation, and other mainstays of the rural economy—are in need of modernization. The Administration has proposed user fees to help finance the maintenance of many federally supported facilities.

Nearly two-thirds of America's major roads—2.6 million miles, most of it in rural America—need resurfacing or

rebuilding. Of the Nation's 560,000 bridges—most of them in rural America—nearly 130,000 are so unsafe they have been closed to buses, trucks, vans, and fire engines. Some 3,500 bridges have been closed altogether for safety's sake. Rural development heavily depends on the repair, replacement, and expansion of these vital arteries of commerce. The Surface Transportation Assistance Act of 1982, proposed by the Administration and passed by Congress, will address some of these needs.

While these Administration initiatives will help solve rural infrastructure problems, the Federal role in meeting infrastructure needs is not all encompassing, as the chapter on the governing philosophy indicates.

As for community services, while significant progress has been made in the last decade, rural America continues to lag behind urban America in education, health care, transportation, elderly and child care, and other services. Within rural America itself, there is such diversity of need and resources that no single rural service scheme can be uniformly effective.

Equality of service does not mean the same structure of service delivery for both rural and urban America. The differences in scale, population density, local government resources, and the physical distances dividing services and recipients are pronounced, and so must be the differences in program design.

Rural citizens do not have the same access to the full range of facilities and services that urban people have. What access they have varies widely among rural areas. Nearly half of all rural workers are employed in an area in which the largest city is between 10,000 and 50,000 population. Such cities normally provide a wide range and choice of facilities and services—commercial, professional, financial, and governmental. Other rural citizens live in areas adjacent to major metropolitan centers and use those facilities and services as a matter of routine.

But there are about 600 rural counties with a total population of some 6 million people that truly must be called remote. These citizens have no ready, inexpensive, or convenient access to even the small cities of 10,000 people.

The most isolated rural places are concentrated in the West, but smaller groupings are also found in the Ozarks, southern Appalachians, and upper Great Lakes. Many of these areas, paradoxically, are among the most rapidly growing rural areas; others continue to decline.

These isolated rural areas are the least prepared by previous experience or existing institutional capacity to provide facilities and services which their leaders indicate are necessary to manage growth (or decline) effectively. Yet too often Federal programs have proved inappropriate for use in such rural settings because of their constraints to local initiative.

Evidence suggests that transportation and communications innovations can help alleviate problems of rural physical isolation and low density settlement. While such innovation is most likely to be developed by local citizens, Federal assistance with technical skills and information can be of great value.

The challenge, then, is to assist rural Americans in the ways *they* deem best, according to their unique community and countryside circumstances.

This, above all, is the message we have received directly from rural Americans: that rural people at the community level, supported but not subordinated by the State and Federal governments, can best decide their own needs and chart their own paths to progress.

Traditional categorical aid programs—heavily regulated and usually urban oriented—cannot meet this test of local control. Other means must be employed to provide effective support to rural America without dominating, restricting, or obstructing rural initiative.

Local Government Needs. Though public service remains principally a part-time occupation in rural America, no problem is too large or too small to escape the responsibility of the rural government official; yet, no official is given less leeway in fashioning solutions to a deskful of dilemmas than the rural public servant.

The resourcefulness of the rural official has been especially taxed in the last 10 years, as the challenges to local government have multiplied and diversified along with the population and economic base. Today's rural official is not only a policy maker but also a budget director, transportation manager, environmental sciences expert, law enforcer, social worker, Federal and State liaison officer, and town planner. In many cases, the rural government official must perform all these duties while holding down a full-time job in the private sector.

Challenges of growth coexist with challenges of decay in rural America today. In a dynamic county where industry is expanding and new people are immigrating, problems of overburdened facilities, understaffed services, and ill-defined growth plans may be paramount concerns to the rural official. Across the State, another county may find itself beset by older and sadder problems: chronic poverty, poor health, dilapidated housing, dying communities. And everywhere in between, there are variations of all these problems of growth and dearth.

Many rural officeholders are heavily constrained—by law, by political tradition, by economic reality—from taxing

constituents for the necessary resources to deal with community problems.

In the smallest towns of rural America, where agriculture still may be the economic foundation, there are few people to share the high costs of public facilities and services. The average population of a rural American community in 1975 was 2,229. More than half had less than 1,000 people. State restrictions on local authority further constrict the rural government's flexibility, especially in taxing and budgeting.

By 1977, some 43 percent of the revenues of local rural governments came from State and Federal aid, though rural governments received only $299 per person, compared with $386 per person for urban governments. Also in 1977, urban governments raised an average of $588 per person from local sources, while rural governments raised only $397 per person locally.

The proliferation of government assistance programs has created impediments to future rural development through strict and arbitrary regulation, the difficult management of widely dispersed government resources, and the spreading eligibility for participation in these programs.

Inflated costs, diluted effectiveness, and obscured missions have been the inevitable results of this evolution, along with the unsettling concern that the Federal Government has become more master than servant of the people of rural America.

Rural people see the arrogance of Washington power in such examples as these:

- Federal water supply programs do not permit funding for some low-cost production methods, such as cluster wells, which could help rural Americans reduce the very high price of water service. The kinds of water projects for which Federal funds are available are often prohibitively expensive for rural communities;

- The general revenue sharing program does not include user fees and volunteer time contributions in tax effort calculations, although these are two of the rural community's most valuable resources. Local rural effort is thus understated.

In addition to these specific examples, and many others like them, there are several general conditions which tend to restrict rural access to Federal programs:

- Due to limited resources for taxes, rural places may have difficulty raising "matching funds" on which many Federal grants are contingent;

- Direct or guaranteed loan programs that involve cooperation with specialized credit providers are less easy to arrange outside urban areas, where such specialized institutions are usually located; and

- Some Federal programs, such as specialized medical care, do not serve rural areas well simply because of low population density.

Housing. The incidence of substandard housing (housing that is either overcrowded or has inadequate plumbing) continues to be more than three times as high in rural regions as in urban areas. About 5.4 percent of rural housing is substandard, compared with 1.4 percent of urban housing.

While even these statistics represent a dramatic improvement over the conditions of 30 years ago—when 59 percent of rural housing was substandard—more than 2 million rural people still live in housing that is a hazard to health and safety.

Employment and Income. The lack of job opportunities remains the greatest single problem in rural America.

Many rural regions suffer unemployment rates substantially higher than the national average. Since 1978, the disparity between rural and urban unemployment has been growing—and not in rural America's favor.

Even these high official rates of unemployment can mask the true level of distress, failing as they do to account for the many underemployed and part-time workers who permeate the rural economy. The American farmer, plagued by falling commodity prices and mounting operating costs, has been especially hard hit by recent economic adversity. For many farmers, not even additional part-time jobs have made ends meet. There also remains a "personal prosperity" gap between the average rural citizen and his average urban neighbor. Excluding the offsetting effects of a lower cost of living, if any, rural family income continues to average only 80 percent of urban income ($19,225 versus $24,478 in 1981).

Chronic rural poverty continues to haunt parts of the American countryside. Twelve million rural Americans fall below the official poverty line. Nearly two-thirds of the rural poor live in the South.

Rural poverty is not confined to those who cannot or will not work. In 1980, 24 percent of poor rural families were headed by people who worked full-time virtually every week of the year. More than half of all poor rural families had two or more people on the job.

Rural poverty reflects the relatively low level of wages or the part-time nature of many rural jobs. Low wages and part-time jobs, in turn, are often the legacy of limited skills, training, and education.

More and better jobs in an expanding private sector are the key to improving the lot of working poor people in rural areas. The rural economy demonstrated its ability to provide such opportunities during the 1970's, and a reinvigorated national economy can unleash such vitality in rural employment once again. But an upgrading of skills and education is necessary for many poor rural workers to take advantage of such opportunities.

About 12.5 percent of poor families in rural areas are headed by a person 65 years of age or older. These families, and many others whose household heads are impaired by physical or mental disability, heavily depend on Government transfer payments--especially from Social Security retirement and disability programs—for their economic security. The Administration's insistence on insuring the integrity of the Social Security system is of crucial importance in rural areas.

The Governing Philosophy

Extensive citizen involvement makes policy better, not easier. Deciding the most appropriate way to meet rural needs involves paying close attention to the practical recommendations of rural people themselves. It also involves reviewing these needs and refining these recommendations in the context of previous actions and prevailing philosophies of this Administration.

A substantial consensus has emerged between the views of rural Americans and the objectives of the Administration. The primary philosophical objective of this Administration is to let the American people govern themselves as they will. This strategy is a manifestation of that philosophy. The clearest message we have received from rural Americans is this: People at the community level, supported but not dominated by the State and Federal governments, can chart their own best path to progress.

This is the essence of the New Federalism initiative announced by the President in his "State of the Union address" in January of 1982. As the President said then, "Our citizens feel they've lost control of even the most basic decisions made about the essential services of government—such as schools, welfare, roads, and even garbage collection. And they're right." The goal, the President said, is "a realignment that will end cumbersome administration and spiraling costs at the Federal level while we insure these programs will be more responsive to both the people they are meant to help and the people who pay for them." This rural development strategy represents an important step toward the realization of that New Federalism goal.

Economic growth is another mutual concern of rural Americans and the Administration, and there is fundamental philosophical agreement between them that this growth must be concentrated in private enterprise rather than in temporary government job programs.

It is the private economy that generates five out of six jobs in this country. It is in the private economy that the chances for a career, for advancement, for rising salaries and wages, and for industrial and entrepreneural expansion present themselves.

These facts underlie this Administration's commitment to encourage growth in the private economy through tax relief, regulatory reform, more aggressive trading practices, control of inflation, reduction of interest rates, and the improvement of productivity through basic research and development.

Economic growth has historically proven to be a far more powerful tool of social advancement and community improvement than even the most ambitious government program. As the President has observed, "Some will say our mission is to save free enterprise. I say we must free enterprise so that together we can save America."

This philosophy inspired the enterprise zone program proposed by the President in January of 1982 to provide "new opportunity to America's inner cities and rural towns." A refinement of that initiative's rural dimension is incorporated here.

In summary, the governing philosophy of this strategy reflects both the expressed desires of rural people and the major objectives of this Administration:

- To restore political authority and flexibility at the levels of government most accountable to the people;
- To streamline the Federal establishment to make it more responsive to local and State priorities, rather than the other way around;
- To exploit the ability of private enterprise as well as government programs to produce public benefits;
- To build more effective partnerships between public and private efforts toward both rural and national progress.

Foundation for Greater Progress

Healthy and growing local economies depend on a healthy, growing national economy. In addition to the remarkable achievements of rural Americans over the past decade, several initiatives of this Administration have contributed to laying the foundation for national progress in the past 2 years. Such national progress will generate a rising tide of prosperity that will reach into this Nation's rural areas.

Inflation. The annual rate of inflation has fallen from 12.4 percent in 1980 to 8.9 percent in 1981 to 3.9 percent in 1982.

Interest Rate. The prime interest rate has fallen from 21.5 percent in January 1981 to 11 percent in January 1983.

Tax Relief. Tax rates on individual income have been reduced 15 percent over the last 2 years and will be reduced another 10 percent in July 1983.

Federal Spending Restraint. The growth in Federal spending has been reduced from an annual rate of 14 percent in 1981 to about 6 percent for 1983.

Regulatory Relief. The number of proposed Federal rules governing details of American life and work declined by more than one-third in the first 2 years of this Administration. Regulatory reductions thus far obtained will save the public up to $11 billion in annual operating costs. In addition, regulatory reform cut paperwork requirements by one-fifth.

Job Training. On October 13, 1982, the President signed into law the Job Training Partnership Act of 1982, which will provide job training for 1 million disadvantaged young Americans, displaced workers, and recipients of Aid to Families with Dependent Children. The training will be geared toward securing permanent employment in the private sector, through the work of locally based private industry councils. Special provisions have been made to encourage the designation in rural areas of "service delivery areas" for training programs.

Farm Loans. Interest rates for farm operating loans from the Farmers Home Administration were reduced from 11.5 percent to 10.25 percent on January 17, 1983. Farm ownership loan rates were reduced from 11.5 percent to 10.75 percent. With every 1-percent drop in the average interest rate on all outstanding farm debt, net farm income rises by $1 billion.

Blended Credit. The Secretary of Agriculture has announced a new blended credit program, combining existing export loan guarantees with $350 million in interest-free loans which will generate an estimated $1 billion in additional farm exports and create an additional 35,000 farm-related jobs.

Export Trading Company Act. In October of 1982, the President signed into law the Export Trading Company Act permitting private firms to band together for export purposes without violating antitrust statutes and allowing banks to invest in export trading companies. The new law should add at least 300,000 new export-related jobs to the American economy.

Block Grants. The Administration has consolidated a number of categorical programs into education and health block grant programs, giving State and local government greater flexibility.

In addition, the "small cities" component of the Department of Housing and Urban Development's (HUD) Community Development Block Grant program, previously administered by HUD directly, has been modified to permit States to administer it as a block grant.

Embargo Ended. The President has canceled the grain embargo against the Soviet Union and has facilitated more normal agricultural trade relations with the Soviets.

Unfair Trade Practices Challenged. The Administration has mounted a concerted effort to reduce the unfair trade practices employed by our trading partners, particularly the European Community (EC) and Japan. The United States has challenged the EC's use of agricultural export subsidies in the General Agreement on Tariffs and Trade (GATT), and has initiated negotiations with the Japanese to relax their restrictions on imports of citrus, beef, and tobacco products.

Surface Transportation Assistance. The Administration has proposed, and the 97th Congress has enacted, a major road rebuilding program to be financed through a 5-cent-per-gallon gasoline user fee. This national program will produce significant infrastructure improvements in rural as well as urban America, repairing nearly 1 million miles of roadway.

Improving Facilities and Services

New Federalism in Rural America

Certain community development programs will be consolidated into a Federal-State Block Grant program. Under the program, rural areas will be assured the funds from certain existing programs for small cities and rural communities. They will also be on equal footing with urban communities in eligibility for the balance of the Block Grant.

As part of the Administration's New Federalism initiative, three Farmers Home Administration programs—rural water and sewer grants, water and sewer loans, and community facility loans—will be included in a Federal-State Block Grant program.

Lest the full effect of these FmHA programs in rural America be diluted under the Block Grant system, 100 percent of these FmHA program funds will be passed through State governments directly to rural communities of less than 20,000 population.

In addition, 70 percent of the "Small Cities" funds of the Community Development Block Grant program planned for inclusion in the New Federalism initiative will continue to be apportioned to communities of less than 20,000 population. Under this policy, some 21 percent of all CDBG funds will be safeguarded for the most rural areas of rural America.

In addition, rural communities will be on equal footing with urban areas in eligibility for the majority of the remaining Federal-State Block Grant funds.

As with all other funding to be incorporated into the Federal-State Block Grant program, the use of funds for improvements in rural water, sewer and other community facilities will be left to the discretion of local government officials rather than dictated by Federal guidelines. These, as well as certain other block grant funds, can also be used to help meet the technical and management assistance needs of local governments.

Assistance to Rural Governments

Rural Regulatory Relief

The President's Task Force on Regulatory Relief, under the leadership of the Vice President of the United States and with the active cooperation of the Secretary of Agriculture and other Federal officials responsible for rural development, will be asked to find specific ways in which rural reporting and regulatory requirements may be significantly reduced.

Federal rural development programs and their administrative structures date from different historical and political eras and reflect widely different notions of the proper roles of Federal, State, county, and local governments, and the private sector.

These conflicting political and management philosophies have produced an intricate maze of regulations and procedures which are difficult for part-time rural officials to negotiate.

The confusion is multiplied by the fact that many rural development projects require the participation of not one but several Federal agencies, each with its own application process, eligibility standards, and reporting requirements.

A small business development program in rural America, for example, can involve simultaneous negotiations with the Farmers Home Administration, the Department of Housing and Urban Development, the Small Business Administration, the Economic Development Administration, the Environmental Protection Agency, and even the Department of Health and Human Services.

Program consolidation, administrative changes, legislative remedies, and all other appropriate means of rural regulatory relief should be considered. The task force should consult with appropriate local and State leaders in rural America, soliciting their views and practical recommendations.

Undue administrative restrictions on "eligible" activities in a number of categorical aid programs will be eliminated by executive order. Many Federal programs, for example, now prohibit the use of funds for technical assistance and planning, despite the fact that this assistance and professional planning can be essential tools for small rural governments with small staffs and high turnovers.

It is not the purpose of this Administration to either encourage or discourage such planning activities at the local level of government. Its purpose is to leave such decisions to local leaders and give them the assistance they require.

Technical Rural Assistance Information Network (TRAIN)

To encourage a more extensive interchange of technical assistance information among rural development experts and between these technical experts and rural leaders, it is proposed that a Technical Rural Assistance Information Network be established by each State which chooses to do so through a broad partnership of private,

academic, and government sponsors. The Department of Agriculture will provide States with information on how to establish TRAINs.

Many technical assistance sources are already at work in rural America. They range from the technical assistance programs currently administered by the Department of Housing and Urban Development to private consulting firms, university research groups, substate districts and State-level agencies, and USDA's Extension Service. But the linkage between these sources of technical assistance and rural leaders is weak at best. Often small rural governments have no idea of the range of services available from these private and public sources. Furthermore, small rural governments, lacking a professional staff, may need technical assistance most but be least capable of paying for it.

Once established, these optional State-level TRAINSs—which could be administered by as few as one or two professionals—will provide a mechanism for information exchange among their public, private, and academic sponsors, and for linking sources of technical assistance with potential users, as well as providing a limited amount of direct technical assistance.

The USDA Office of Rural Development Policy will work with other USDA agencies to provide technical assistance to States choosing to participate in the TRAIN program. Such assistance will include recommendations on organization, sources of joint funding, and other aspects of the program.

Rural Resources Guide

To facilitate equitable rural access to development assistance, a Rural Resource Guide—cataloging the nature and scope of both public and private rural technical assistance programs and providers, and identifying effective means of access to both—will be published.

Just as State-level Technical Rural Assistance Information Networks (TRAINSs) are needed to link users and providers of technical and management assistance within a State, there is a need to link national-level public and private resources with those needing assistance throughout the Nation. The National Advisory Council on Rural Development often referred to this need, as did many other rural officials and citizens contacted in the course of preparing this strategy.

Lack of information and expertise, or limited access to them, has long been recognized as a significant impediment to rural development despite the variety and quantity of such information and assistance resources. Unfortunately, even many of the most comprehensive sources of information are not well known to potential users. Among these resources, in both the public and private sectors, are:

- The Department of Commerce's *National Technical Information System (NTIS)*;
- The Department of Education's *Education Resources Information Center (ERIC)*;
- The Foundation Center's *COMSEARCH* system;
- Public Technology Institute's *Answer* service;
- Control Data Corporation *LOGIN* service;
- The Office of Management and Budget's *Federal Assistance Program Retrieval System (FAPRS)*.

Many organizations, firms, interest groups, universities, and others at the national level are available to provide technical assistance for a fee or gratis. Despite this broad range of organizations providing technical assistance, there is no single source that catalogs all public and private national-level rural development resources, the kinds of assistance offered by each, and appropriate contacts within these organizations. The *Rural Resources Guide* will help meet this need.

Rural Data Collection

To help insure that statistical gaps do not impede rural America's access to Federal resources, and to insure that policy makers at all levels of government have an accurate assessment of rural problems and potentials, the U.S. Bureau of the Census, Bureau of Labor Statistics, and the Bureau of Economic Analysis will improve the quality and specificity of information collected and reported on rural areas.

Information about rural areas should include data on rural health, housing, education, transportation, demographics, physical facilities, employment profiles, and other categories, with all such information compiled in terms of well-defined, small-scale rural areas.

Statistical information collected by Federal research agencies is often not as comprehensive and detailed rural urban areas as about urban areas. This disparity creates two problems.

First, since the Government produces more information about metropolitan areas, more is known about urban problems. Federal programs can be better tailored to the unique and well-documented needs of a single city. Rural areas, by contrast, are often lumped together as statistical residuals, presented as part of a "rest of State" total, or as State aggregates minus the metropolitan components. As a result, less is known about rural places, their special needs, and how best to meet them.

Secondly, rural areas are placed at a disadvantage in the competition with urban areas for Federal funds. Since it is

difficult to describe specific rural areas statistically in as much detail as large urban areas, it is more difficult to document local rural needs effectively. Such a "competition" could eventually become no contest.

A recent study by the National Research Council of the National Academy of Sciences concluded that current rural statistics are "inadequate" compared with urban statistics. The National Academy recommends that the "sampling and reporting units for nonmetropolitan people should reflect the same level of disaggregation (specificity) provided for metropolitan people."

While rural and urban areas need not have precisely the same data in equal volume, there is a clear need to improve the quality and specificity of data on rural America, when it can be collected on a cost effective basis.

Rural Housing

Rural Housing Block Grants

It is proposed that a rural housing block grant program be established by the Federal Government and administered by the several State governments to promote safe and sanitary housing for low-income residents of rural areas.

To increase the availability of adequate housing in rural America, the rural housing block grant program will support State efforts to improve existing housing, to build new houses, and to help low-income residents meet rising housing costs.

States may apportion their Federal block grant funds in any of the following forms, as they deem most appropriate to meet the housing needs of their citizens:

- Direct grants to assist in rehabilitation and other housing costs;
- Low-interest, short-term loans;
- Housing cost vouchers for cost-burdened homeowners and renters on a temporary basis;
- Subsidies to owners of rental housing, which would allow for reduced rents to eligible tenants; and
- Other forms of assistance devised by the States.

Formulas for allocating rural housing block grant funds to the States will be based on rural population, poverty, and the extent of substandard housing.

Private Sector Job Creation

Rural Enterprise Zones

The Administration will press for Enterprise Zone legislation with a rural component.

In March of 1982, this Administration proposed legislation to establish up to 75 enterprise zones over a 3 year period throughout the country to attract new job producers into disadvantaged areas with the promise of temporary tax relief and other incentives. The proposal is an integral part of the Administration's New Federalism.

Applications for enterprise zone designations must demonstrate not only economic need but innovative approaches to economic progress. Once designated, a zone will retain its special status for up to 20 years.

Federal incentives for job producers to locate in these zones will include tax credits for capital investments, rehabilitation, and payroll taxes for both employers and employees. In addition, capital gains taxes are eliminated for enterprise zone property, and the availability of industrial development bonds for small businesses to locate in the zones is guaranteed. Enterprise Zone legislation should stress the following objectives:

- Selection of one-third of the total number of zones in rural areas;
- Initiation by State and local governments of applications for Federal zone designations;
- Local leadership in the administration of designated zones;
- Tax incentives for job opportunities and training;
- Enterprise assistance to the most disadvantaged areas which have the greatest promise for new economic growth; and
- Relaxation of Federal regulations wherever possible.

Trade Expansion and Reform

To insure that rural areas benefit fully from the Export Trading Company Act of 1982, the Administration will encourage and assist in the formation of export trading companies specifically targeted to develop foreign markets for agricultural and other products produced in rural America.

The expansion of international trade in rural American products and the reform of trade practices which unfairly restrict the export of such products are two of this Administration's highest rural development objectives. Increased employment in rural America is directly related to trade expansion and reform.

To take full advantage of this job-creation potential, the following steps have been taken:

- The President has lifted the grain embargo against the Soviet Union and has offered to sell up to 23 million metric tons of grain to the U.S.S.R. in fiscal year 1983.

- While maintaining its commitment to orderly and open world markets, the Administration is challenging the unfair trade practices of other countries, particularly the European Community and Japan.

The Export Trading Company Act of 1982, signed into law by President Reagan on October 8, enables American firms to band together for export purposes without violating antitrust statutes. The act also permits banking institutions to participate in export ventures through financing arrangements and other means.

This legislation puts American companies on more equal footing with their major international competitors. The bulk of Japan's exports are handled by such export trading companies. West Germany, France, and Hong Kong also are major users of specialized export institutions.

An independent study estimates that by 1985 American export trading companies could increase U.S. employment by as many as 640,000 jobs.

Thousands of small and medium-sized American firms—including many in rural America—produce goods and services that are competitive overseas. But these firms are inhibited by their unfamiliarity with foreign markets, customs, and laws. Individually, they cannot afford the costs and risks to penetrate those markets.

Export trading companies can provide these firms with a full range of export services, including marketing research, and can serve as ideal intermediaries for the export of American goods and services.

> To help realize the export potential of U.S. products, the United States Government will make the foreign market research generated by its international trade offices more systematically available to American export interests, including both private concerns and State and local public officials responsible for trade development.

The Department of Agriculture has already identified many of the obstacles which have limited the export of processed American agricultural goods.

These include strict labeling requirements imposed by foreign governments, different packaging and shelf-life standards, lack of foreign consumer awareness of the availability of U.S. products, export subsidies provided by foreign governments to their processors, and various nontarrif barriers erected to protect processors in importing countries.

There are also differences in preparation and packaging customs in overseas markets which may require manufacturing and merchandising modifications by American processors. But none of these barriers is insurmountable.

Small businesses may be especially well suited to play a major role in expanding exports of processed agricultural products. Business and agricultural schools, community organizations, and local economic development authorities, among others, can help as well. A special effort will be undertaken to make the full range of Government trade services available to all interested parties.

Rural Credit Availability. In rural areas, financial institutions are significantly smaller in terms of asset size. Consequently, the range of financial and financially related services is not as broad in rural areas for meeting community development needs as in large metropolitan areas (e.g., correspondent services may not be available). To the extent that small banks in rural areas need to compete for funds in broader capital markets, private sector alternatives such as joint ventures for correspondent services and pooling of loans for sale in a secondary market should be explored. The Federal Government can further this effort by working to accomplish the following objectives:

> Implementing provisions of the Garn-St Germain Depository Institutions Act of 1982. This landmark legislation is a major step toward deregulating and restructuring the nation's financial system. It provides the means by which depository institutions—commercial banks, savings and loan associations (S&L's), mutual savings banks, and credit unions—can compete effectively in the financial community in the highly competitive, less regulated environment of the future. In particular, smaller financial institutions such as those found in rural areas will be able to diversify both their borrowing and lending activities to better compete for funds in the capital markets. In addition, those S&L's and commercial banks with earnings problems will qualify for net worth assistance under terms set forth in Title II of the Act.
>
> States should be encouraged to develop operating procedures to promote packaging of the characteristically smaller rural notes into instruments which would be attractive to investors and money market institutions.
>
> A close review of controls and restraints affecting correspondent relationships among financial institutions should be undertaken for the purpose of increasing the availability of alternative sources of funding of all types. In particular, the effects of the applicable provisions of the Garn-St Germain Depository Institutions Act of 1982 should be studied.
>
> Current delivery systems in rural areas for Federal housing guarantees such as FHA and VA should be examined carefully to determine the feasibility of using USDA's Farmers Home Administration (FmHA) field office network to improve both access and delivery.

Extensive technical advice and support in financial matters is needed for rural community leaders, particularly in the area of community facilities funding.

The United States Department of Agriculture FmHA field office network should provide support and technical assistance to rural communities seeking to undertake community facility projects and assist them in developing appropriate project plans which would attract private and, where available, State and Federal funding.

This type of assistance would be a material factor in bolstering the ability of essentially volunteer community leaders to compete for Federal block grants and State funding for their community development programs.

These specific recommendations constitute the core of the rural development policy of this Administration. They address the most pressing concerns of rural Americans. The recommendations reflect a philosophy that rural people can and should govern themselves. But in so doing, they must have access to the basic resources, aid, and tools available to the rest of the Nation.

Conclusion

The people of rural America were taking care of themselves and each other—raising and sharing crops, building houses and places of worship, and protecting one another—long before the Government of the United States was founded.

This proud, independent and resourceful spirit still lives and thrives in rural regions. Rural people ask not for special favors but for simple fairness in their dealings with their National Government.

This strategy seeks to insure greater fairness and greater effectiveness of federal initiatives in rural development. It is grounded in the belief that the best insurance is to give rural Americans what is rightfully theirs—the power to govern their own lives.

The people of rural America know how special is the land and water and sky which surround them. They know, better than anyone, that rural America is not simply what the cities have left behind.

Though tempered by adversity, rural America is in countless ways the "better country" in which a growing number of our citizens prefer to live. It is this "better country" that the Administration seeks to enrich through this strategy.

Analysis of the Fiscal Year 1983 Rural Development Budget

The fiscal year 1983 budget* calls for about $100.8 billion for development and farm assistance. The rural share of this total amount is almost $28 billion. Funds are requested for more than 40 programs with varying rural development implications. About 17 billion has historically been the rural portion of these development programs. Another 11 billion is for related farm programs. The programs are administered by about a dozen Federal departments and agencies, usually in both metropolitan and rural areas.

To understand the "rural development budget" each program must be examined and the historic distribution of funds between urban and rural areas determined. Precision is not possible, due to the way the figures are collected, but this kind of analysis helps to explain the continuing Federal investment in rural development. Programs in such areas as defense and transfer payments have only indirect developmental implications and are not discussed. Four areas with clear developmental implications are covered. These are: community and infrastructure development, business and economic assistance, housing and credit assistance, and "other selected programs" which include revenue sharing and farm assistance programs. Each of these areas will be considered below.

Table 1 shows the fiscal year 1983 budgets for selected development and farm programs and the estimated nonmetro share of each.

Community and infrastructure development programs account for $18 billion in spending and $5.2 billion in credit programs, of which $4.7 billion in spending and $4.1 billion in credit programs are historically loaned in rural areas (see table 2 and table 3). These programs include aid for transportation; water, sewer, and wastewater treatment; electrical power; communications; and other community facilities. The basic services of communication, transportation, and an ample supply of clean water are essential to achieve the development potential of rural areas. Inadequate transportation facilities and insufficient water render many rural areas unsuitable for new plants or for expansion of existing enterprises.

Business and economic assistance aid totals $1.1 billion in spending with $.8 billion going to nonmetro areas and $2.8 billion in credit programs, with nonmetro areas receiving $1.1 billion (see table 4 and table 5). Business and economic assistance includes land management payments, impact aid, payments in-lieu-of-taxes, business loan guarantees, and business disaster loans. This category includes payments to compensate local governments for impositions caused by Federal government ownership of property or activities, government loan guarantees to stimulate economic activity, and disaster loans which enhance new business activity by reducing risk.

Direct housing assistance includes grants for farm labor housing, self-help housing, repair of construction defects, and rental assistance for low-income residents (see table 6). These programs total $0.22 billion in fiscal year 1983, with $22 million going to rural areas. The bulk of this category is made up of credit programs which include FHA mortgage insurance, VA loan guarantees, public

Table 1—Fiscal year 1983 budgets for selected farm and development programs

Development programs	FY 1983	Nonmetro share
	(Millions of dollars)	(Millions of dollars)
Community and infrastructure development		
Spending programs	18,274	4,685
Credit programs	5,175	4,067
	23,449	**8,752**
Business and economic assistance		
Spending programs	1,089	815
Credit programs	2,840	1,079
	3,929	**1,894**
Housing and credit assistance		
Spending programs	222	22
Credit programs	55,993	6,148
	56,215	**6,170**
Other selected programs		
Spending programs	6,709	2,616
Credit programs	10,548	8,348
	17,257	**10,964**
Total selected programs		
Spending programs	26,294	8,138
Credit programs	74,556	19,642
	100,850	**27,780**

*The fiscal year 1984 budget had not been sent to Congress at this writing. Consequently, the report deals with the fiscal year 1983 budget for rural development.

housing loan guarantees, and FmHA housing loans. Housing credit programs total about $56 billion, with $6.1 billion going to nonmetropolitan areas (See table 7).

Adequate housing is an essential component of rural development, both to maintain the existing population in rural areas, as well as to attract new residents. A lack of sufficient housing supply or mortgage credit inhibits an area's growth and thwarts future economic development.

The category "other selected programs" totals $6.7 billion in spending and $10.5 billion in credit, and of these amounts nonmetro areas receive $2.6 billion and $8.3 billion, respectively (see table 8 and table 9). Spending programs include revenue sharing, resource conservation and flood prevention, price supports, and crop insurance. The credit programs include commodity loans, Farmers Home Administration farm loans, and water development loans. These credit programs, agricultural price supports, and crop insurance underscore the integral position of agriculture in the rural development process. A healthy agricultural sector is often the base for further rural development. General revenue sharing allows local governments to pursue the development strategy that best suits the unique characteristics of the area. The following tables (2–9) provide more detail about each of the categories discussed above.

Table 2—Community and infrastructure development: Spending programs

Agency	Program	FY 1983 program level[1]	FY 1980 nonmetro share[2]	FY 1983 nonmetro share
	Spending programs	(Millions of dollars)	(Percent)	(Millions of dollars)
ARC	Appalachian highway development	80[3]	60	48
DOT	Federal aid to highways	7,800	35	2,730
	Grants-in-aid for airports	450[4]	25	112
	Urban mass transportation aid	3,343	2	67
EPA	Wastewater treatment grants	2,400	27	648
HUD	Community development (CDBG)			
	Small cities program urban development (UDAG)	3,456	18	622
Interior	Indian area and regional development operations	505	72	364
TVA	Area and regional development	120	NA	NA
USDA	Rural water and sewer grants	120	78	94
	Total	**18,274**		**4,685**

[1]President's Proposed FY 1983 Budget.
[2]Based on the estimated distribution of Federal funds for FY 1980 prepared by the Economic Development Division, Economic Research Service, U.S. Department of Agriculture.
[3]ARC is terminated in FY 83. These funds will be administered by DOT.
[4]If the Administration's authorizing legislation is enacted, this figure is correct. Otherwise, the figure is zero for FY 1983.

Table 3—Community and infrastructure development: Credit programs

Agency	Program	FY 1983 program level[1]	FY 1980 nonmetro share[2]	FY 1983 nonmetro share
	Credit programs	(Millions of dollars)	(Percent)	(Millions of dollars)
USDA	Water and sewer loans	300	71	213
	Community facility loans	130	73	95
	Rural electrification loans (insured)	725	79	573
	Rural electrification loan guarantees	3,615	79	2,856
	Rural telephone loans (insured)	75	81	61
	Rural telephone loan guarantees	145	81	117
	Rural telephone bank loans	185	82	152
	Total	**5,175**		**4,067**

[1]President's Proposed FY 1983 Budget.
[2]Based on the estimated distribution of Federal funds for FY 1980 prepared by the Economic Development Division, Economic Research Service, U.S. Department of Agriculture.

Table 4—Business and economic assistance: Spending programs

Agency	Program	FY 1983 program level[1]	FY 1980 nonmetro share[2]	FY 1983 nonmetro share
	Spending programs	(Millions of dollars)	(Percent)	(Millions of dollars)
Interior	Payments in-lieu-of-taxes	45	85	38
	Land management payments	756	88	665
Treasury	Federal impact aid	288	39	112
	Total	**1,089**		**815**

[1]President's Proposed FY 1983 Budget.
[2]Based on the estimated distribution of Federal funds for FY 1980 prepared by the Economic Development Division, Economic Research Service, U.S. Department of Agriculture.

Table 5—Business and economic assistance: Credit programs

Agency	Program	FY 1983 program level[1]	FY 1980 nonmetro share[2]	FY 1983 nonmetro share
	Credit programs	(Millions of dollars)	(Percent)	(Millions of dollars)
SBA	Business and disaster loans	440	38	167
	Business loan guarantees	2,400	38	912
	Total	**2,840**		**1,079**

[1]President's Proposed FY 1983 Budget.
[2]Based on the estimated distribution of Federal funds for FY 1983 prepared by the Economic Development Division, Economic Research Service, U.S. Department of Agriculture.

Table 6—Housing credit and assistance: Spending programs

Agency	Program	FY 1983 program level[1]	FY 1980 nonmetro share[2]	FY 1983 nonmetro share
	Spending programs	(Millions of dollars)	(Percent)	(Millions of dollars)
USDA	Farm labor housing grants	23	54	12
	Very-low income housing repair grants	12	83	10
	Construction defects program	2	NA	NA
	Rental assistance program	185	NA	NA
	Total	**222**		**22**

[1]President's Proposed FY 1983 Budget.
[2]Based on the estimated distribution of Federal funds for FY 1980 prepared by the Economic Development Division, Economic Research Service, U.S. Department of Agriculture.

Table 7—Housing credit and assistance: Credit programs

Agency	Program	FY 1983 program level[1]	FY 1980 nonmetro share[2]	FY 1983 nonmetro share
	Credit programs	(Millions of dollars)	(Percent)	(Millions of dollars)
HUD	Housing loans for the elderly and the handicapped	453	24	109
	FHA mortgage insurance loan guarantees	35,000	8	2,800
	Public housing projects: PHA loan guarantees	1,194	NA	NA
USDA	502 low income housing loans	900	76	684
	Rural rental housing loans	900	78	156
	504 very-low income housing repair loans	24	87	21
	Farm labor housing loans	19	52	10
	Section 524 rural housing site loans	2	72	1
VA	GI home loans	1	13	
	GI home loan guarantees	18,200[3]	13	2,366
	Total	**55,993**		**6,147**

[1]President's Proposed FY 1983 Budget.
[2]Based on the estimated distribution of Federal funds for FY 1980 prepared by the Economic Development Division, Economic Research Service, U.S. Department of Agriculture.
[3]FY 1983 figure is based upon a lower interest rate for home loans than the present interest rates of home mortgages. Hence, this budget figure may be high if interest rates do not decline for home mortgages.

Table 8—Other selected programs: Spending programs

Agency	Program	FY 1983 program level[1]	FY 1980 nonmetro share[2]	FY 1983 nonmetro share
	Spending programs	(Millions of dollars)	(Percent)	(Millions of dollars)
Treasury	State-local fiscal assistance (revenue sharing)	4,567	27	1,233
USDA	SCS watershed and flood prevention[3]	117	59	69
	Resource conservation and development	10[4]	73	7
	Price supports and related programs[5]	1,592[6]	59	939
	Federal crop insurance	423	87	368
	Total	**6,709**		**2,616**

[1]President's Proposed FY 1983 Budget.
[2]Based on the estimated distribution of Federal funds for FY 1980 prepared by the Economic Development Division, Economic Research Service, U.S. Department of Agriculture.
[3]Includes flood control and watershed protection.
[4]The FY 1983 figure provides money to complete existing commitments.
[5]Includes storage, handling, transportation and direct payments only.
[6]These figures are estimated as of March 4, 1982.

Table 9—Other selected programs: Credit programs

Agency	Program	FY 1983 program level[1]	FY 1980 nonmetro share[2]	FY 1983 nonmetro share
	Credit programs	(Millions of dollars)	(Percent)	(Millions of dollars)
USDA	Farm ownership loans	775	88	682
	Farm operating loans	1,590	87	1,383
	Emergency disaster loans	1,540	84	1,294
	Insured soil and water loans	25	92	23
	Guaranteed soil and water loans	6	NA	NA
	Indian land acquisition loans	12	100	12
	Commodity loans	6,560	75	4,920
	Storage facility and equipment loans	40	86	34
	Total	**10,548**		**8,348**

[1]President's Proposed FY 1983 Budget.
[2]Based on the estimated distribution of Federal funds for FY 1980 prepared by the Economic Development Division, Economic Research Service, U.S. Department of Agriculture.